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Mahmud M. Said BA (Hons) ACMA FCCA

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The Trustees
International Islamic Relief Organisation
PO BOX 14843
Jeddah 21434
Saudi Arabia

20th August 2007

Our Ref / IIROJ / AH / MMS

Dear Dr Adnan Basha
Mr. Sameer Al Radhi
RE: IIRO Indonesia

Assalamu Alaikum Warahmatu Allah Wabarakatuh

I enclose amended draft report, which honestly reflects the situation.

Copies of my outstanding bills are also enclosed and I look forward to your early remittance.

A final Report will be send to you once I hear from you.

Wasslam

Yours sincerely


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ACCA

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Yours sincerely


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Vat Registration Number : 832 2885 21

The Trustees
International Islamic Relief Organisation
PO BOX 14843
Jeddah 21434
Saudi Arabia

26th April 2007

INVOICE No: 574 / 04

To our professional services in connection with:
Reviewing Books, Records, Accounts and
Internal controls system for IIRO-Jakarta
For period from 1st July 2002 to 30th June 2006
And reporting thereon :

Our fee		£14,680.00
Less discount		£ 2,000.00
		<hr/> £12,680.00
Received:		
Bank transfer	£ 7,500.00	
<u>\$4000@1.86</u>	<u>£ 2,150.00</u>	
		<hr/> £9,650.00
		£ 3,030.00
Add air fares		£1,504.97
Hotel expenses		
Lemeridian		£ 458.00
Kaesar		£ 30.00
		<hr/> £5,022.97
Balance		
VAT @0.00%		
		<hr/> £5,022.97
Outstanding Balance		

Please make transfer to M. M. Said
Royal Bank of Scotland
Enfield Branch, 30-32 London Road, Enfield,
Middlesex EN2 6DT
Account: 12213582, Pound Sterling Account
Mahmud Mohamed Said
IBAN GB10 RBOS 1619 2212 2135 82
SWIFT :BIC RBOS GB 2L

Many thanks

Vat Registration Number : 832 2885 21

The Trustees
International Islamic Relief Organisation
PO BOX 14843
Jeddah 21434
Saudi Arabia

29th June 2007

INVOICE No: 598 / 06

To our professional services in connection with:

Trip (Sunday 13th -Tuesday 23rd May 2007)

Our fee

18.5 hours @ £60 per hour

£1,110

VAT Zero-rated (Work performed abroad)

Total

£1,110

Please make transfer to M. M. Said
Royal Bank of Scotland
Enfield Branch, 30-32 London Road, Enfield,
Middlesex EN2 6DT
Account: 12213582, Pound Sterling Account
Mahmud Mohamed Said
IBAN GB10 RBOS 1619 2212 2135 82
SWIFT :BIC RBOS GB 2L

Many thanks

IIRO-INDONESIA
REVIEW REPORT
PERIOD FROM 1ST MAY 2005 TO 31ST JULY 2006

DRAFT ONLY

Prepared by:

M. Said & Co.
Chartered Certified Accountants
349 c High Road
London N22 8JA
020 8888 0650

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INFORMATION

INTERNATIONAL ISLAMIC RELIEF ORGANIZATION

HEAD OFFICE

PO Box 14843
Jeddah
Saudi Arabia

INDONESIAN OFFICE

Jl Raya Cipinang Jaya No.90.
Jakarta -Timur
Tel: (021) 85911 532
Fax: (021) 859 11025

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EXTERNAL ACCOUNTANT

MUCHARAM & AMRAN

Registered Public Accountants
Jl Tanah Merdeka Kav Rambutan
Block E
No. 124-125 Ciracas-Jakarta 12830
Tel: (021) 841 1395
Fax: (021) 841 1395

BANKERS:

Bank Mandiri
Gedung Bumi Dayu Plaza
Jl Imam Bonjol No.61
Jakarta Pusat

Bank IFI

Gedung Bapindo Plaza
Jl Sudirman Kav.54
Jakarta Selatan

INDEPENDENT EXAMINER:

M. Said & Co.
Chartered Certified Accountants
349 c High Road
London N22 8JA

++44 (0)20 8888 0650

++44(0) 20 8888 3535

INTRODUCTION:

My name is Mahmud Said. I am a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Management Accountants both based in the UK.

I have worked for a number of accountancy firms in London and amassed a wealth of experience over a period exceeding twenty five years in the fields of accountancy and audit and currently practice as a Chartered Certified Accountant.

IIROSA have asked me to review their Indonesian Branch accounting books and records and to render an opinion on the internal control and supervision systems in that branch in for the period from May 2005 to 31st July 2006 and whether the activities of the branch are in the line with the objective of the organization as a whole.

I understand that charges have been leveled against IIRO Indonesia that it is an organization which supports and finances extremist organizations.

This review does not include the preparation of Annual Financial Statements nor auditing them.

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INDONESIA BRANCH

International Islamic Relief Organization -Indonesia adopt the same objectives as the Head Office.

- IIRO Indonesia Branch was established in 1992 to extend the hand of help to Muslims but not to the exclusions of non -Muslims.
- Among its activities are the sponsorship of orphans, well digging, masjid building as well as health, education and emergency relief programs.
- In 2002 a Memorandum of Understanding between the Ministry of Religious Affairs in Indonesia and IIRO was signed to promote cooperation in the fields of education, social and religious activities (see appendix).
- All activities in Indonesia are financed by grants from the Head -Office.
- No fund raising is conducted by Indonesia branch.
- IIRO works closely with the Indonesian government represented by the Ministry of Religious Affairs and have regular meetings with its representatives to ensure the smooth running of the activities of the organization.
- IIRO supports a large number of local charities in Indonesia whose objectives are similar to those of IIRO. Among these organizations are the following:

- 1: Dar Al Arfan
- 2: Al Ikwanija.
- 3: Al Najah Al Islamiyah.
- 4: Nour Al Hakim
- 5: Dar Al Rahme.
- 6: Rawder Al Ouloom.
- 7: Nisaa Al Irshad.
- 8: Al Irshad Al Islami.
- 9: Al Nour Al Islami.
- 10: Al Taifa Al Mansoura
- 11: Al Huda Al Islamiya
- 12: Al Dawa Al Islamiya
- 13: Al Safwa Al Islamiya
- 14: Al Wahda Al Islamiya
- 15: Nidaa Al Fitra

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BRANCH ACTIVITIES

I have reviewed the Annual Financial Statements for the year ended 30th June 2006, which have been prepared in accordance with the local accounting standards by a local firm of qualified accountant Messrs Karam & Amron, and have extracted the following table:

ACTIVITY	PERCENTAGE OF TOTAL FUNDS EXPENDED
-Engineering Projects: Mosque building and well digging	59%
-Social Care : Sponsoring orphans	9.6%
-Human Programs : Ramadan Breakfast and Eid sacrifices.	6.4%
-Educational Programs: Arabic and Qur'an teaching	4.18%
- Emergency Relief : Providing help for victims of floods, volcanoes ,earthquakes and Tsunami.	11.20%
- Administration	9.62%
	<u>100%</u>

The table shows the importance IIRO- Indonesia places over the provision of humanitarian assistance to the needy in Indonesia.

We have seen letters of praise and appreciation of the work of IIRO Indonesia by both the Minister of Religious Affairs and the Head of Shura Parliament.

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BOOKS AND RECORDS

The following books are kept manually. Records are kept in Arabic and all writing is in ink. Currencies used are Saudi Riyal, US Dollar and Indonesian Rupiah. The books satisfy the host country's requirement for record keeping and are adequate for the purpose of preparing Annual Financial Statements:

1: Cash Book: The cash book records all bank payments and receipts. Four bank accounts were held during the period. One US\$ account and one Indonesian Rupiah account were held at each the Mandiri Bank and the IFI bank i.e a total of four bank accounts.

2: Nominal ledger: where payments and deposits were posted for the purpose of preparation of the annual accounts.

There were no purchase ledger (accounts payable) nor accounts receivable. The accounts were prepared using cash basis accounting as opposed to the accrual basis accounting.

No petty cash book was kept and we found no material petty cash payments during the period.

All invoices were filed in order of payment and were also kept in files kept for the different cost centres.

Our checks of transactions were designed to see if payments were:

- 1: Properly authorized by the Head Office and Branch Manager.
- 2: Supported by proper invoices.
- 3: Supported by signature of recipient.
- 4: Properly analysed in the books and posted to the correct expense centre.

Results of these tests were satisfactory.

In addition we made visits to a random sample of mosques in Jakarta. The sample was small as there were practical limitations imposed by time and geographical constraints.

Results of these tests were satisfactory.

Conclusion: all payments were properly authorised and were expended on charitable activities.

We also checked deposits in all four bank accounts and had to make a visit to Jeddah in Saudi Arabia to establish the source of cash deposits and to reconcile them with payments made by the Head Office.

We checked a sample Head Office payments made to IIRO Indonesia. All payments checked were properly supported by legitimate expenses of the branch and were all received by the branch except one payment of SR 3,703,282 (US\$ 987,541 **) which was frozen by the Saudi Hollandi bank and remains frozen up-to-to-days date.

** Translated at the rate of exchange ruling on the date of the Report.

DRAFT ONLY**EMPLOYEES**

There are currently ten employees hired by IIRO in addition to the manager Mr Fahd Al Harby.

The decision to hire and fire employees is made by the Head -Office in Jeddah. Similarly employee remuneration package is determined by the Head -Office. The manager plays an advisory role to the Head -Office, in matters relating to promotion, discipline, and determining staff salary level.

A file is maintained for each employee, which include the following permanent information:

- 1: Job application form.
- 2: CV.
- 3: Employment contract.
- 4: Copy of ID.
- 5: Academic qualifications.
- 6: Experience certificate.
- 7: References.
- 8: Declaration by employee that he does not belong to a political party.
- 9: Confirmation by employee that he read IIRO rules.
- 10: No criminal record certificate.

All employee have Indonesian nationality except the manager and accountant who have Saudi and Egyptian nationalities respectively.

Below is a list of current employees together with their job title and salary:

	Job Title	Salary
Mr Fahd A Harby	Manager	
Mr Yasser Mohamed Anwar Rabie	Accountant	3000 SR
Mr Faiz Wardy	Secretary	800 SR
Hamdoun Muhsin Ben Abdel Rahman	Secretary	1200 SR
Hamdoun Sharif Hidayet	Clerk - Social care	800 SR
Aidarous Rafik	Supervisor - Social care	1200 SR
Kuswanto Abdul Rahman	Supervisor-Engineering	750,000 I Rupiah
Fahmi Abu Bakr Bin Sinker	Clerk - Engineering	800 SR
Munawar Hayan Bin Marcos	Porter	400 SR
Muhsin Ali Al Bahri	Driver	350 SR

Wages are paid monthly and a receipt signed by the employee is kept.

Results: Satisfactory.

Conclusion: There was an effective procedure for screening and supervising employees.

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DA-IYA (PREACHERS):

We found 117 files for Da-iya. These include files of those who worked as Da-iya since activities in Indonesia started.

Services of all Da-iyas have been dispensed with recently, except the service of Dr Salah Eldin Al Nadawi, because of delays in getting salaries remitted from the Head Office resulting from restrictions imposed on transfers by the Head Office.

Each Daiya file contains the following documents:

- 1: Job Application.
 - 2: Passport size photograph.
 - 3: Copy of ID.
 - 4: Academic qualifications.
 - 5: Experience certificates.
 - 6: References.
 - 7: Contract of cooperation with IIRO.
 - 8: Declaration that employee does not belong to a political party.
 - 9: Signed declaration of adhering to terms of resolution No. 25/5 on 28-2-1425 H. Preventing dealing with terrorism.
-

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CONTROL AND SUPERVISION:

The Head Office imposes the following controls in respect of Masjid building and Well digging:

- 1: Requests for masjid building and well digging are checked by branch committee.
- 2: An initial visit is made by branch engineer to assess the viability of the request.
- 3: A list is prepared and sent to Head Office.
- 4: Head office makes further checks and invite donors to make donation.
- 5: Funds are sent to branch in three instalments.
- 6: Branch acknowledges receipt.
- 7: Branch makes allocation to relevant masjids after deducting administration fee.
- 8: Costs of masjids are already fixed in accordance with local economy thus ensuring contractor does not get more than a reasonable fee.
- 9: For each area normally one contractor is used.
- 10: Payments are made to contractors in three stages and the final payment is made only after project is complete.
- 11: Each receipt of funds whether by cheque or by bank transfer is acknowledged by the recipient contractor.
- 12: Photos showing the project at different stages and on completion are sent to the Head office.
- 13: At various stages of the project, the engineer make frequent visits to the project.
- 14: Head office informs donors of completion of project and issue a report about it for their information.

And the following controls over orphan funds:

- 1: All applications have orphans photo, orphan's birth certificate, fathers birth and death certificates, as well as a reference from area registrar or equivalent and a copy of file is sent to Head Office.
- 2: Orphan and guardian are interviewed personally by branch or institute official.
- 3: Branch manager scrutinizes list of orphans to ensure their details are correct and to notify any changes.
- 4: Remittance from Head Office is acknowledged by manager in writing.
- 5: At least three officials supervises the handing of donations to orphans.
- 6: Orphans sign or thumb print acknowledging receipt.
- 7: Committee in "5 above" signs "Handing grants report" as well as accountant and manager.
- 8: Orphans are paid within six weeks from the date of receipt of remittance.
- 9: Completion of orphans conditions report in within six weeks from the date of receiving the remittance.
- 10: Preparing a report of orphans not receiving their allowance giving total and explaining reasons for non-payment.
- 11: Orphans monies not handed out are not spent on any other category without written confirmation from the Head Office.
- 12: The process of handing grants to orphans is video-taped with date, place of handing as well as flag of the Kingdom of Saudi Arabia and the Logo of IIRO appear in the video.

Other controls imposed by the Head Office:

- 1) Monthly bank reconciliation together with bank statements are sent on a monthly basis to the Head Office.
- 2) Monthly Trial Balance is sent to Head Office showing incoming and outgoing resources.

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- 3) All payments are supported by invoices/payment vouchers signed by at least the accountant and the manager.
- 4) All payments are supported by a receipt signed by the recipient.
- 5) Surprise visits by officials from Head-Office.
- 7) No employee or da-ya service is hired without prior approval by Head - Office.
- 6) Contractors have to be approved by Head Office.
- 8) Cheques to be signed by two signatories.
- 9) All cheques to be photocopied and filed.
- 10) Where cheques are sent by post, registered post is used and a note of the date and reference number are kept.
- 11) Cheque books are kept in the safe.
- 12) No bank account is opened without Head Office approval.

Results of tests of controls were satisfactory.

Conclusion: There was adequate control by the Head Office over IIRO-Indonesia.

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ASSETS:

Cash and bank balances represent 97.1% of total assets at 30th June 2006. We have not sought confirmation of these balances with banks as our task was not to verify assets and liabilities.

The only fixed assets owned by the branch are two motor vehicles and offices fixtures and fittings. The net book value of these at 30th June 2006 were 2.90% of the total assets.

We have not conducted any tests to verify ownership nor disclosure in the accounts.

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CONCLUSION:

The Head Office had adequate supervision over Indonesia branch, its employees and its activities. The funds of IIRO Indonesia were properly applied to Masjid building, well digging, orphan support and other charitable activities as well as financing administration costs of running the charity.

During our examination of remittances by the Head Office to the branch we came across the unusual practice of payments issued by the Head Office in the name of the manager of IIRO Indonesia who cashed the payments in Saudi Arabia and banked it in IIRO's Indonesian bank accounts.

One such payment of SR 3,703,282 (US\$ 987,541) did not reach the branch as it was frozen by the bank where the account of IIRO Indonesia Branch managers is held.

As a result of this practice, our report covers only remittances which were banked in IIRO's Indonesian bank accounts as we are uncertain as to the completeness of all the payments issued by the Head Office to IIRO -Indonesia.

Except for the above, all remittances received from the Head Office and banked in IIRO's Indonesian bank accounts were properly applied to charitable activities and I found no evidence that IIRO Indonesia supported extremist organizations or International Terrorism.

Signed :

M. Said & Co,
Chartered Certified Accountants
349 c High Road
London N22 8JA

Date:

End of Report.